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No. 06-1155

IN THE

Supreme Court of the United States

ZOLTEK CORPORATION,

Petitioner,

v.

UNITED STATES OF AMERICA,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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REASONS FOR GRANTING THE WRIT

Judge Plager correctly characterized the issues in this case as "of major significance" regarding the "constitutional obligations of the United States" and as involving "important rights of patent owners." App. A42-A43. He viewed the § 1498 issue as having "significant constitutional overtones as well," as involving a "magical incorporation doctrine," and as applying a "radical doctrine of legislative preemption over constitutional right." *Id.* at A44, A46, A55. Even Judge Gajarsa, who joined the *per curiam* opinion, decried it as based on an "unchecked propagation of error" in Federal Circuit caselaw regarding the construction of § 1498(a). *Id.* at A12. He went on to commit the very same error, however, in his alternative construction of § 1498(c). Judge Newman, dissenting from the denial of rehearing *en banc*, viewed the decision below as "contrary to clear statutory text and long-resolved application of constitutional remedy." *Id.* at D7. Given the tremendous legal and economic implications of this case, both for the parties and for process-patent holders in existing and emerging industries vital to the nation, it is imperative that this Court resolve the error and confusion below.

I. THIS PETITION RAISES IMPORTANT NATIONAL ISSUES THAT SHOULD BE DECIDED BY THIS COURT.

Despite the government's efforts, the tremendous national significance of the decision below cannot be understated. This case alone involves a $1 billion dispute. The defense and pharmaceuticals industries, which rely heavily on process patents, produce hundreds of billions of dollars of goods and services and are appealing targets for government appropriation of patent rights. Given Judge Plager's undoubtedly accurate observation that the decision below "is an invitation to strategic conduct if ever there was one," it would be unrealistic to imagine that the government will not accept that invitation. App. A63; *id.* at A32 n. 10 (Gajarsa, J.) (similar).

The *amicus* briefs in this case likewise attest to the national importance of this case. The brief of the NanoBusiness Alliance, at 1, for example, reflects the importance for emerging and existing industries of enforcing existing protections against government-appropriation of process patents without just compensation. Where the inventions protected by such patents are both research- and capital-intensive, with long development times, the investment-insecurity and damage from the decision below will be felt far into the future. The briefs from the Federal Circuit Bar Association and the Twenty-Eight patent, constitutional, and property Law Professors likewise show how the decision below takes patent jurisprudence further from its historical roots. And those briefs demonstrate that the decision below creates inexplicable and intolerable inconsistencies between the rights of patent owners as compared to the rights of other property owners.

The government briefly and incorrectly suggests, BIO 20, that the importance of this case is speculative and that it should be left to Congress to correct any problems from the decision below. That this case is the first of its kind to reach the Federal Circuit is of little moment as it may also be the last now that such cases are jurisdictionally dead on arrival per the decision below. Furthermore, the previous absence of reported cases involving government takings of patent rights under § 271(g) does not mean such takings have not occurred and will not expand in the future. Section 271(g) itself is relatively recent, and this case alone took over 10 years to reach this point. Other such takings claims may have yet to be discovered, filed, or decided in reported opinions. In any event, it is the prospective importance of this decision that matters, and if there has been a supposed dearth of § 271(g) takings to date, this decision will certainly serve as incentive for such takings in the future.

Leaving the consequences of the decision below in Congress' lap is not a satisfactory solution. Congress should not be forced to correct, through legislation, every mistaken con-

struction from the Federal Circuit. Congress already has provided jurisdiction over takings claims. The Federal Circuit's rulings on the property issues and the continued application of *Schillinger* are distinctly legal questions best resolved by this Court. *Cf.* Pet. App. A66-67 (Plager, J., dissenting).

The flawed approach of the decision below also will have a deleterious effect on the administration of justice and practice of law within the Federal Circuit. Given the Federal Circuit's monopoly on much of the subject matter it hears, it lacks the benefit of competing analyses from its sister circuits, making it all the more important for *this* Court to supervise closely the jurisprudence emerging from that circuit. That this case generated four opinions from three judges, as well as a further dissent from the denial of rehearing *en banc*, suggests a pressing need for such supervision here.

II. THE DECISION BELOW CONFLICTS WITH NUMEROUS DECISIONS HOLDING THAT PATENTS ARE PROPERTY FOR PURPOSES OF THE FIFTH AMENDMENT.

The decision below ignored over a century of case-law confirming that patent rights are property, protected by the Fifth Amendment as much as any other form of property. Pet. 17-19; Brief of Twenty-Eight Law Professors as *Amici Curiae*, at 6-9, 14-17. The relevant property rights at issue are expressly defined in 35 U.S.C. § 154(a)(1) as the "right to exclude others from using * * * throughout the United States, or importing into the United States, products made by [the patented] process." Liability for infringement of that right is set forth in the complementary provision of 35 U.S.C. § 271(g). To treat such property rights as inferior and inoperative against the United States, merely because they derive from federal statute, is contrary to the necessarily "exclusive" nature of the rights granted pursuant to Article I, section 8, clause 8 of the Constitution, and is contrary to this Court's

treatment of other property, such as trade secrets, under the Takings Clause.[1]

As for the government's claim, BIO 8, that there was no "taking" because § 1498 limits Zoltek's substantive patent rights – *i.e.*, that there is no property right as against the government – that claim confuses the existence and scope of a property *right* with the existence and adequacy of any statutory compensation *remedy* as against the government. *See* App. C23-C24 (CFC); *id.* at A49-A50, A52-A53, A55 (Plager, J.); NanoBusiness Br. at 12-15.[2]

Only by treating patent owners differently than "all other owners of property" and by treating a patent right as "somehow less of a property interest," App. A43 (Plager, J., dissenting), was the court below able to avoid the clear evolution of takings and Tucker Act jurisprudence. This Court should

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[1] Contrary to the government's suggestion, BIO 18, the existence and scope of "property" rights in patents, is well within the questions certified for appeal. Such issues were fully litigated by the government below, were squarely decided by the CFC, and it was the *government* that appealed from that decision and continued to raise such issues on appeal. *See* App. C1-C1, C9-C10, C22-C26. The CFC's certification for appeal of "the issue determined in the court's December 9, 2003 opinion of this court's jurisdiction under the Fifth Amendment," Order, Feb 20, 2004 (Dkt. No. 251), thus fully encompasses the first Question Presented. Also, despite its protests to the contrary, App. A10, the Federal Circuit effectively addressed such issues when it defended *Schillinger* v. *United States*, 155 U.S. 163, 169 (1894), and distinguished it from subsequent cases involving different property rights by disparaging the status and scope of patent rights as property. App. A10-A11; *see also id.* at A42 (Dyk, J.); *id.* at A55 (Plager, J.); *id.* at D3, D6-D7 (Newman, J.).

[2] *See also Jacobs* v. *United States*, 290 U.S. 13 (1933) ("The form of the remedy does not qualify the right. It rested upon the Fifth Amendment. Statutory recognition was not necessary. A promise to pay was not necessary."); *cf. Cleveland Bd. of Educ.* v. *Loudermill*, 470 U.S. 532, 541 (1985) ("The categories of substance and procedure are distinct. * * * 'Property' cannot be defined by the procedures provided for its deprivation * * *. The right to due process 'is conferred, not by legislative grace, but by constitutional guarantee.'") (citation omitted).

grant certiorari to bring patent law in line with the development of such general jurisprudence and thus provide the uniformity in the law that this Court has emphasized. *eBay Inc.* v. *MercExchange, L.L.C.*, 126 S. Ct. 1837, 1839-40 (2006).

III. THE DECISION BELOW DENIES PATENT-HOLDERS ANY RECOURSE FOR GOVERNMENT TAKINGS.

Once it is recognized that government-authorized infringement of Zoltek's patent constitutes a taking, the lack of an adequate means of compensation would render the taking itself unconstitutional and cast serious constitutional doubt on § 1498's deprivation of an otherwise-available infringement action against the contractor itself.[3] Existing statutory remedies, under either § 1498 or the Tucker Act, thus should be construed to avoid the serious constitutional issues that would be raised by allowing uncompensated takings.

A. Statutory Compensation under 28 U.S.C. § 1498.

There is no dispute that the conduct alleged in this case, if done by a wholly private party, would constitute infringement under § 271(g). Pet. 22-23. Given the unchallenged validity of § 271(g) as applied to private parties, The government's objections concerning extraterritoriality, BIO at 8-10, are misplaced. There is no serious claim that the rights conferred by §§ 154(a)(1) and 271(g) involve extraterritorial application of U.S. patent laws against private-party infringement. And the government has offered no argument why such concerns are different for government-authorized infringement. Unlike § 271(a), where extraterritoriality concerns are addressed by

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[3] The central contradiction in the government's position regarding § 1498 is its simultaneous claim that the section *covers* the claim based on Lockheed's conduct sufficiently to trigger substitution and contractor immunity, but does *not cover* that claim for purposes of compensation. Pet. 5-6 & n. 4. However, § 1498 as a whole either applies or it does not. Having consistently maintained coverage under § 1498 for purposes of substituting the government and immunizing Lockheed, the government's claimed lack of coverage solely for compensation purposes rings hollow.

restrictions on the location where the *process* is used, § 271(g) places no restrictions on where the process is used, but rather addresses such concerns by focusing on where the *products* of that process are imported and used. Given that different territorial focus, while infringement under § 271(g) often *involves* foreign use of a process, such infringement only occurs upon subsequent domestic importation or use of the *products* of that process, and hence, for purposes of § 1498(c), the claim thus arises *in* the U.S. notwithstanding that *use of the process* occurred abroad.[4]

There is no statutory basis for incorporating, via § 1498(c), the territorial limits of § 271(a) and imposing them upon a claim derived from § 271(g), which has its own different, but entirely adequate, territorial restrictions. Petitioner here seeks to enforce the *same* rights under § 271(g), subject to the same territorial limits therein, as it would have against a private party, giving § 1498(c) the same function and meaning the government claims, BIO 9, Congress intended.

The government's argument, BIO 12, that courts must assume the purposeful creation of a gap due to Congress' failure to amend § 1498 when it added § 271(g) simply begs the question whether such an expansion was necessary or instead already encompassed within Congress' understanding of the broader scope of § 1498. There is no good reason to assume that the failure to change § 1498 when § 271(g) was enacted

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[4] Whether § 1498 reaches all infringement under § 271, BIO 10-11, is largely beside the point given that the language of § 1498 covers infringement under § 271(g) where the contractor has indeed *used* a patented process, imported the products of such use, and then used those products within the U.S. That § 271(g) did not exist when the various portions of § 1498 were enacted is no basis for excluding such claims where they nonetheless satisfy the express language of § 1498 and including them advances the purposes of § 1498. As this Court has recognized, generally worded statutes are not limited to the particular circumstances from which they arose. *Oncale* v. *Sundowner Offshore Services*, 523 U.S. 75, 79-80 (1998); *Brogan* v. *United States*, 522 U.S. 398, 403 (1998).

implied a desire to leave such conduct uncovered as opposed to an assumption that it *was* covered. As explained by the *amicus* brief of the Federal Circuit Bar Association, there are ample grounds for reading § 1498 as covering this case.[5]

Construing § 1498 to provide a remedy here would satisfy the government's Fifth Amendment obligations, and thus obviate the need to reach the other constitutional questions.

B. Patent-Based Fifth Amendment Takings Claims Are Cognizable under the Tucker Act.

There is no serious dispute that the Tucker Act, as construed by this Court for over 60 years, confers jurisdiction over claims "founded * * * upon the Constitution," *regardless* whether such claims might sound in contract or tort. The unqualified scope of the Act's jurisdictional grant for constitutional claims is confirmed by the express language and punctuation of the statute, by the opinions of the CFC and the dissenting circuit judges below, and by the thorough review of the development of Tucker Act jurisprudence by *amicus* the NanoBusiness Alliance. *See* Pet. 21-22, 26-27; App. C16-C17; *id.* at A52-A54, D6; NanoBusiness Br. 4-16.

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[5] The canon that waivers of sovereign immunity are narrowly construed, BIO 12, does not require an unduly restrictive reading of § 1498. Such canon does not mandate the narrowest *conceivable* construction rather than the one that best fits the language and purposes of the statute. Additionally, competing principles – such as constitutional avoidance, broad effect to remedial measures, and the possibility of viewing § 1498 as a money-mandating, rather than a jurisdictional, statute – mitigate the narrow-construction canon in this case. *See Webster* v. *Doe*, 486 U.S. 592, 603 (1988) (need clear intent to "preclude judicial review of constitutional claims"); *Bowen* v. *Michigan Acad. of Family Physicians*, 476 U.S. 667, 681 & n. 12 (1986) (construction to avoid serious constitutional question from denying judicial review of constitutional claims); *Richmond Screw Anchor Co.* v. *United States*, 275 U.S. 331, 342-46 (1928) (narrow construction of anti-assignment statute to serve remedial purposes of §1498 precursor and avoid constitutional doubt); *United States* v. *Mitchell*, 463 U.S. 206, 218-19 (1983) (statute *creating* monetary claim subject to Tucker Act need not be construed narrowly as a second immunity waiver).

Notwithstanding the plain language of, and precedent regarding, the Tucker Act, the government offers a conflicting construction of that Act whenever the constitutional claim involves patents rather than other forms of property. BIO 12-17.[6] In support of its erroneous construction, the government, like the court below, relies upon *Schillinger*, a patent case that indeed applied the then-common, though now rejected, contract/tort limitation to the Tucker Act's jurisdictional grant for constitutional claims. The government's reliance on *Schillinger* lacks merit and, given the same reliance by the court below, provides ample reason why a decision from *this* Court is necessary to resolve *Schillinger*'s current status.

What is both clear and undisputed, however, is that the primary and essential legal principle upon which *Schillinger* relies is no longer good law, regardless whether *Schillinger* itself has been explicitly overruled. A claim founded upon the Constitution need not have a separate basis in contract and is not excluded from the Tucker Act if it involves conduct that also might be considered a tort.

The government's suggestions, BIO 15 n. 5, 16, 19 n. 7, that this Court's cases involving other forms of property do not apply here are mistaken. The Tucker Act applies to *all* constitutional takings claims without distinction, and it makes no sense to assert that *Schillinger* remains good law merely because this Court overruled its central premise in cases involving forms of property other than patents. Such subsequent cases turned on the plain language of the Act, not the type of property that had been taken.[7]

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[6] Indeed, the government literally seeks to rewrite the Tucker Act, removing relevant words and punctuation from, and adding unrelated language to, the clause addressing claims founded on the Constitution. BIO 4, 13 (eliding comma and disjunctive "or" in order to incorporate "not arising in tort" language from a different and independent clause).

[7] The government's reliance, BIO 16-17, on *stare decisis* to preserve *Schillinger* is misplaced. Congress, since 1910, has not *relied* upon *Schillinger*, it has repudiated it and sought to make its holding irrelevant.

As for *Schillinger*'s second basic holding – that the patent infringement there was a tort – that holding is either inapplicable to government-authorized infringements, or is no longer good law. Pet. 19-22, 26; App. A49-A53 (Plager, J.).[8]

Apart from its reliance on *Schillinger*, the government suggests that § 1498 should be viewed as the exclusive remedy for government-authorized patent infringement, ousting whatever jurisdiction might otherwise exist under the Tucker Act for takings claims involving patents. BIO 15. Of course, nothing in the language of § 1498 remotely suggests that it is exclusive even regarding claims to which, under § 1498(c), it supposedly "does not apply" at all. Furthermore, the subsequent expansion in the interpretation of a general jurisdictional statute is not constrained by a remedial statute enacted to compensate, in part, for the previously narrow interpretation of the general statute. *See* NanoBusiness Br. 16-20.[9]

While contrary congressional views of patents and the Takings Clause may not directly invalidate *Schillinger* as a statement of the then-existing law, they certainly demonstrate a lack of reliance.

[8] As noted in the Petition, at 20, 26, even were the contract/tort distinction still valid as applied to constitutional takings claims, the facts of *Schillinger* involved an infringement that was *not* authorized by the government, rather than the government-authorized infringement here. This Court thus could simply limit *Schillinger*'s secondary holding to its facts yet still find that a government-authorized infringement is not a tort at all, but rather an exercise of the power of eminent domain. Such an alternative is not a "new theory," BIO 13, merely a different *argument* for why *Schillinger* need not control this case. Likewise, while petitioner views the contract/tort distinction as irrelevant in takings cases, it notes that government-authorized infringement could be viewed as creating an implied contract, *not* from § 1498, BIO 13-14, but rather from the Fifth Amendment.

[9] The cases cited by the government, BIO 15, are inapposite on this point given that in each case the narrower statute in fact applied to the claims being raised and would have covered them but for some procedural default by the claimant, who then sought to apply the general statute in an overlapping fashion. Here, if § 1498 does not provide jurisdiction, it is because the supposedly "specific" statute is in fact entirely *inapplicable* to this case, not because plaintiff defaulted on some procedural requirement

Furthermore, this Court has recognized that the Tucker Act, as applied to constitutional takings claims, is a waiver of sovereign immunity as comprehensive as the requirements of the Fifth Amendment. *Regional Rail Reorganization Act Cases*, 419 U.S. 102, 126-27 (1974). There is no cause for imposing an unnatural construction on that statute excluding claims within its plain language. Indeed, as explained in the NanoBusiness Brief, at 14-15, this Court in *United States* v. *Causby*, 328 U.S. 256, 267 (1946), expressly rejected the once-prevailing narrow construction of the Tucker Act (which had engrafted the contract/tort dichotomy onto claims founded on the Constitution), notwithstanding that it was effectively expanding the waiver beyond the previous artificial constraints of earlier cases. Petitioner seeks nothing more here than what this Court has already done in *Causby*.

In the end, while it is petitioner's position that none of the government's arguments have merit, what is important at the petition stage is that such arguments certainly are not so self-evidently correct as to eliminate the pressing need for this Court to address and resolve them on the merits by granting certiorari. And given the Federal Circuit's refusal even to acknowledge the consequences of subsequent case-law without direct guidance from this Court, Pet. App. A12, such guidance is now essential.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

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contained in an otherwise available remedy. Under such circumstances the relevant case is *United States* v. *Williams*, 514 U.S. 527, 36-38 (1995), discussed and distinguished in *EC Term of Years Trust* v. *United States*, No. 05-1541 (Apr. 30, 2007), Slip. Op. 5-6, on *precisely* such reasoning.

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